

Statement of Congressman Michael N. Castle

*Full Committee Hearing to
Receive Testimony of Federal Reserve Chairman Alan Greenspan*

February 11, 2004

Thank you Chairman Oxley and Subcommittee Chairman King for holding our biannual hearing to receive testimony from Federal Reserve Chairman Alan Greenspan on the state of the economy and monetary policy. Mr. Greenspan, we are honored to have you before our committee.

As we begin the second session of Congress there are a number of important issues that are before this committee and this Congress, but perhaps the most important because it transcends everything is the federal deficit. President Bush outlined his Fiscal Year 2005 proposed budget to Congress last week. I share the President's focus on cutting the deficit in half and working towards surpluses. I support that goal whole-heartedly. There are, however, many assumptions in the President's proposal that have yet to be vetted in Congress. Many in Congress are committed to reducing our current deficit and as we examine the President's proposal, I find Mr. Greenspan's perspective to be beneficial. I believe this process can not be done in a bubble -- we must examine mandatory and discretionary spending as well as revenues and the budget process itself. We must be willing to put everything on the table and make some hard decisions.

As you know, almost 80 percent of the budget is fixed before Congress even begins to adjust spending for the next fiscal year. Therefore, we cannot depend solely on the remaining 20 percent. I am greatly concerned by the fact that the "baby boomer generation" is going to be entering their retirement years very shortly -- at this point I am not sure that the money coming into programs will outpace the outgoing costs generated.

The Honorable David Walker, U.S. Comptroller General, has estimated the Medicare Hospital Insurance Trust Fund will face a cash deficit in 2013, Social Security will face a cash deficit in 2018. Since the payout is based on population, how can we prevent the entitlements from consuming 100 percent of the federal budget in 50 years? In the past twenty years the percentage of the mandatory spending has already grown 10 percent. These numbers will only grow exponentially over time, Mr. Walker reports the combined deficit from these programs will reach \$500 billion before 2035. Clearly, targeting non-defense and non-homeland security discretionary spending alone will not have a significant impact on the deficit.

Mr. Walker has also stated that there needs to be a combination of spending restraint and economic growth to close the current fiscal gap. Relying on growth alone would require double digit annual growth for the next 75 years. The deficit is on course to grow. We must put everything on the table, from revenue sources to federal government programs -- all must be examined.

Hard choices need to be made and I think it is time that both parties put their favorite "cash cows" on the table -- all subject to the same scrutiny. I believe the meaning of "leadership" is not only fighting for your district or state, it also has to mean protecting the future of our economy -- to ensure that our schools run, our Medicare checks can be cashed and families can put food on the table.